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Canada's New Government cuts wasteful programs, refocuses spending on priorities, achieves major debt reduction as promised

The Honourable Jim Flaherty, Minister of Finance and the Honourable John Baird, President of the Treasury Board, today announced that Canada's New Government has eliminated wasteful and ineffective programs, reduced government spending and paid down the national debt.

"We are trimming the fat and refocusing spending on the priorities of Canadians," said Minister Baird. "Our government is also keeping its promise to families and taxpayers by reducing the national debt."

Minister Baird confirmed that a strategy is in place to secure $1 billion in savings this year and next as promised in the spring budget. The savings are being identified in government program spending as well as through tighter management.

"We are saving $15 million by having settled the softwood lumber deal", explains Minister Baird. "The previous government never believed it could get the deal done, so it had set large amounts of money aside to pay lawyers".

Canada's New Government is also reducing the national debt by $13.2 billion, one of the largest debt reductions in Canadian history. Minister Flaherty explained that this debt reduction is the result of strong revenue growth, reflecting the strength of the economy, and lower-than-expected program expenses.

"In fact, this is the first time in nine years that program spending has actually declined," said Minister Flaherty. "We have been able to reduce the debt, cut taxes and invest more resources in programs that are important to ordinary Canadians such as child care and safer streets. This is possible in part because we have put an end to the previous government's end-of-year spending spree. Our government has adopted an approach that is responsible, accountable and inspired by a clear sense of priorities," added Minister Flaherty.

Canada

Canada's federal debt at the end of 2005-06 is now $481.5 billion, down $81.4 billion from its peak of $562.9 billion in 1996-97. Federal debt as a percentage of gross domestic product (GDP) is now at its lowest level in 24 years. Owing to Canada's New Government's commitment to on-going debt reduction, the country's debt load is set to shrink further in years ahead.

Information about the $13.2 billion surplus is contained in the *Annual Financial Report of the Government of Canada*, which was released today and reviews the government's financial performance for the 2005–06 fiscal year.

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Backgrounder

Annual Financial Report 2005-06

- A budgetary surplus of $13.2 billion was achieved in 2005–06. As a result, the federal debt is down $561 for each Canadian.

- The surplus reduces the federal debt, which stood at $481.5 billion at the end of fiscal 2005–06, down $81.4 billion from its peak of $562.9 billion in 1996-97.

- Program spending was down $1.1 billion from the previous year – the first year-over-year decline in nine years.

- The Government has received a clean opinion on its 2005-06 financial statements from the Auditor General. In addition, the Government has addressed some long-standing concerns of the Auditor General about the financial statements, including the accounting treatment of foundations.

- The surplus was $5.2 billion higher than the $8-billion surplus forecast in Budget 2006, due primarily to program expenses coming in lower than projected:

  - Revenues came in almost exactly as expected, except for a one-time $1-billion change in accounting treatment for IMF subscriptions made after discussions with the Auditor General.

  - Of the $3.9-billion decrease in program spending from that estimated in the Budget, $1.4 billion was due to lower year-end spending by departments, in part reflecting the tighter control over spending by this Government. The rest ($2.5 billion) was due to year-end accrual adjustments.

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